

APPENDIX A-2011: 2011 ANNUAL FEDERAL TAX RATES AND LIMITS

This appendix provides the 2011 Federal income tax withholding formula, Federal income tax withholding rate for supplemental payments, military deposit and back pay interest rates, OASDI and Medicare wage base and withholding rates as well as the Thrift Savings Plan (TSP), Flexible Spending Account (FSA), and Health Savings Account (HSA) annual contribution limits. This appendix also provides procedures to compute withholding tax for non-resident alien employees.

A. FEDERAL INCOME TAX WITHHOLDING FORMULA: The 2011 Federal income tax withholding formula affects the computation of the Federal income tax deductions for salary paid on or after January 1, 2011. The following are the procedures for computing the 2011 Federal income tax withholding:

- 1 Calculate the annualized gross wages by multiplying the biweekly gross wages by 26 pay periods.
2. If the employee participates in TSP, TSP Catch-Up, FSA program, Federal Employees Health Benefits – Premium Conversion (FEHB-PC) program, FEDVIP Vision/Dental and/or Health Savings Account (HSA), multiply the biweekly deductions by 26 and subtract this result from the annualized gross wages to determine the adjusted annualized gross wages.
3. Multiply the number of exemptions claimed by \$3,700.00 and subtract this result from the adjusted annualized gross wages to determine taxable wages.
4. If the employee is SINGLE or HEAD OF HOUSEHOLD, apply the rates below to taxable wages to determine the annual tax amount.

Taxable Wages		Amount of Tax
Over	Not Over	
\$0.00	\$2,100.00	\$0.00 plus 0.0% over \$0.00
\$2,100.00	\$10,600.00	\$0.00 plus 10.0% over \$2,100.00
\$10,600.00	\$36,600.00	\$850.00 plus 15.0% over \$10,600.00
\$36,600.00	\$85,700.00	\$4,750.00 plus 25.0% over \$36,600.00
\$85,700.00	\$176,500.00	\$17,025.00 plus 28.0% over \$85,700.00
\$176,500.00	\$381,250.00	\$42,449.00 plus 33.0% over \$176,500.00
\$381,250.00	AND OVER	\$110,016.50 plus 35.0% over \$381,250.00

5. If the employee is **MARRIED**, apply the rates below to the taxable wages to determine the annual tax amount.

Taxable Wages		Amount Of Tax
Over	Not Over	
\$0	\$7,900.00	\$0.00 plus 0.0% over \$0.00

Taxable Wages		Amount Of Tax
Over	Not Over	
\$7,900.00	\$24,900.00	\$0.00 plus 10.0% over \$7,900.00
\$24,900.00	\$76,900.00	\$1,700.00 plus 15.0% over \$24,900.00
\$76,900.00	\$147,250.00	\$9,500.00 plus 25.0% over \$76,900.00
\$147,250.00	\$220,200.00	\$27,087.50 plus 28.0% over \$147,250.00
\$220,200.00	\$387,050.00	\$47,513.50 plus 33.0% over \$220,200.00
\$387,050.00	AND OVER	\$102,574.00 plus 35.0% over \$387,050.00

6. If the employee is a nonresident alien and has wages subject to income tax withholding, add \$2,100 to the employee's annualized gross pay. Use the employee's taxable wages (after adding \$2,100 and subtracting the withholding allowances in A2 and A3) to calculate the additional tax using the appropriate annual tax rate tables provided in A4 (Single or Head of Household) or A5 (Married). Nonresident aliens are limited to one withholding allowance (exemption), unless they are a resident of Canada, Mexico, or Korea.

Note: Nonresident alien students from India and business apprentices from India are not subject to the procedure reflected above. The single wage bracket table, regardless of the employee's marital status, must be used.

7. Divide the annual tax amount by 26 to determine the biweekly withholding amount.

B. FEDERAL WITHHOLDING FOR SUPPLEMENTAL PAYMENTS: For tax year 2011, the Federal tax withholding rate for supplemental payments will remain at 25 percent and the State tax rate remains at 4 percent. The federal and state supplemental tax rate applies to such payments as awards, voluntary separation incentive payments, lump sum retention, recruitment/relocation incentives, and lump sum annual leave payments.

C. MILITARY SERVICE DEPOSIT RATES: The following are calendar year interest rates to be used for computing military service deposits.

Year	Interest Rate%	Year	Interest Rate%
2011	2.750	1997	6.875
2010	3.125	1996	6.875
2009	3.875	1995	7.000
2008	4.750	1994	6.250
2007	4.875	1993	7.125
2006	4.125	1992	8.125
2005	4.375	1991	8.625
2004	3.875	1990	8.750
2003	5.000	1989	9.125
2002	5.500	1988	8.375

Year	Interest Rate%	Year	Interest Rate%
2001	6.375	1987	9.000
2000	5.875	1986	11.125
1999	5.750	1985	13.000
1998	6.750	1948-1984	3.000

D. BACK PAY INTEREST RATES: The interest rate table below reflects the annual interest rate percentage from the OPM back-pay award interest program. Back pay interest rate percentages prior to 2000 can be found on OPM's website:
<http://www.opm.gov/oca/pay/backpay/HTML/BACKPAY.asp>.

First Day of Quarter:	Annual Interest Rate:	First Day of Quarter:	Annual Interest Rate:
January 1, 2011	3%	April 1, 2005	6%
October 1, 2010	4%	January 1, 2005	5%
July 1, 2010	4%	October 1, 2004	5%
April 1, 2010	4%	July 1, 2004	4%
January 1, 2010	4%	April 1, 2004	5%
October 1, 2009	4%	January 1, 2004	4%
July 1, 2009	4%	October 1, 2003	4%
April 1, 2009	4%	July 1, 2003	5%
January 1, 2009	5%	April 1, 2003	5%
October 1, 2008	6%	January 1, 2003	5%
July 1, 2008	5%	October 1, 2002	6%
April 1, 2008	6%	July 1, 2002	6%
January 1, 2008	7%	April 1, 2002	6%
October 1, 2007	8%	January 1, 2002	6%
July 1, 2007	8%	October 1, 2001	7%
April 1, 2007	8%	July 1, 2001	7%
January 1, 2007	8%	April 1, 2001	8%
October 1, 2006	8%	January, 1, 2001	9%
July 1, 2006	8%	October 1, 2000	9%
April 1, 2006	7%	July 1, 2000	9%
January 1, 2006	7%	April 1, 2000	9%
October 1, 2005	7%	January 1, 2000	8%

First Day of Quarter:	Annual Interest Rate:	First Day of Quarter:	Annual Interest Rate:
July 1, 2005	6%	<i>Prior to 2000</i>	Refer to OPM Web site above.

E. OASDI and MEDICARE WAGE BASE AND WITHHOLDING RATES: The OASDI wage base of \$106,800 remains unchanged for 2011. The withholding rate for OASDI for 2011 is 4.20 percent for employee share and 6.20 percent for employer share. The wage base for Medicare is still unlimited and the withholding rate for Medicare remains at 1.45 percent.

F. THRIFT SAVINGS PLAN ANNUAL LIMIT: The TSP maximum annual deferral limit of \$16,500 and the maximum annual deferral limit for TSP catch-up of \$5,500 remain unchanged for 2011.

G. FLEXIBLE SPENDING ACCOUNTS (FSA) ANNUAL LIMIT: For 2011, the maximum contribution limit for a Health Care FSA (HCFSA) or Limited Expense HCFSA (LEX HCFSA) remains at \$5,000 per account. The maximum contribution limit for a Dependent Care FSA (DCFSA) remains at \$5,000; \$2,500 if you are married and filing separately.

H. HEALTH SAVINGS ACCOUNT: For 2011, the maximum contribution limit for the Health Savings Account (HSA) is \$6,150 for family coverage and \$3,050 for self-only coverage. Participation in an HSA requires enrollment in a High Deductible Health Plan. If the taxpayer (or spouse) is age 55 or older, the contribution limit is increased by \$1000; if the taxpayer and spouse are age 55 or older, the contribution limit is increased by \$2000. However, HSA contributions must stop once the taxpayer and/or spouse become enrolled in Medicare.

I. RESCISSION:

Volume XV Chapter 4, *Deductions*, Appendix A-2010: 2010 Annual Federal Tax Rates and Limits, May 2010.

J. QUESTIONS: Questions concerning this appendix should be directed as follows:

VHA
VBA
All Others

VHA PAYROLL HELPLINE (Outlook)
VAVBAWAS/CO/PERATIONS (Outlook)
PAYROLL POLICY (Outlook)